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**FOR IMMEDIATE RELEASE**

## **NorthWestern Energy to acquire 25% share of Colstrip Unit 4 from Puget Sound Energy**

### **NorthWestern Energy announces goal to reduce carbon intensity of Montana generation portfolio by 90% by 2045**

**Butte, Mont. – Dec. 10, 2019** – NorthWestern Energy will file an application for pre-approval with the Montana Public Service Commission to acquire Puget Sound Energy’s 25% interest, 185 megawatts of generation, in Colstrip Unit 4 for one dollar. In addition, NorthWestern Energy is committing to reduce the carbon intensity of our energy generation in Montana by 90% by 2045.

“Nothing is more important to the people of NorthWestern than safely providing Montanans with the affordable and reliable energy we all need while also protecting our environment,” said NorthWestern Energy President and CEO Bob Rowe. “We take that dual responsibility seriously, and right now our state faces an urgent capacity shortage – energy that’s available 24 hours a day, 365 days a year, regardless of the weather.”

The carbon-reduction commitment is part of NorthWestern Energy’s goal to work towards an even cleaner energy future for the state.

“NorthWestern Energy will continue working to make our energy supply more sustainable,” Rowe said. “Securing more capacity for only a \$1 investment is a unique opportunity that helps give us the time to continue transitioning to an even cleaner energy future without putting either our customers’ safety or their ability to pay their energy bills at risk.”

In late January or early February, NorthWestern Energy will submit an application for pre-approval of the acquisition of the 185 megawatts to the Montana Public Service Commission. In addition, NorthWestern Energy will seek approval to sell 90 megawatts to Puget Sound Energy for roughly 5 years. NorthWestern Energy proposes zero net effect on customer bills while setting aside the benefits from the transaction – estimated to be \$5 million annually – to address environmental remediation and decommissioning costs associated with NorthWestern Energy’s existing ownership when the time comes to retire Unit 4. Puget Sound Energy remains responsible for its presale 25% ownership share of all costs for remediation of existing environmental conditions and decommissioning regardless of when Colstrip Unit 4 retires.

- The fixed operations and maintenance costs and property taxes for the additional 25% share of Colstrip Unit 4 are estimated to be approximately \$15 million annually. The 5-year power purchase agreement with Puget Sound Energy will pay for about 50% of this amount and the other 50% will be offset by the reduction in purchases from the market.

- If the sale is approved, NorthWestern Energy will own 55% of Colstrip Unit 4 and will have greater influence over its operations. This is an important step in allowing Montana to have a voice in the eventual operating life of Colstrip Unit 4.
- Acquiring a greater stake in Colstrip Unit 4 does not solve our capacity shortage, but it will meet about 25% of the overall capacity needed today while Montana transitions to using more carbon-free energy sources in the future.

“Even with projected operating and maintenance costs factored in, purchasing more of Colstrip Unit 4 for only one dollar is by far the most affordable way to help close the gap in the capacity shortage facing our customers,” said John Hines, NorthWestern Energy Vice President Supply and Montana Government Affairs. “No other option – buying additional energy from the market or building a plant that would generate this amount of energy over multiple days when it is needed the most - can achieve the same results.”

As a point of comparison, building a natural gas plant that provides the equivalent capacity would cost approximately \$240 million. A wind plus battery storage combination could cost several billion dollars and still not provide equivalent capacity. Solar by itself is not currently a viable option in Montana in the winter to address this type of sustained peak capacity need. If NorthWestern Energy would have had the additional 95 megawatts of power from Colstrip Unit 4 in our portfolio last winter, this would have saved our customers about \$4 million over just 4 days during a particular cold blast Montana experienced last March and more than \$8 million at the full 185 megawatts,” Hines said. “Customer bills are expected to stay flat as a result of the transaction. Increased operating costs due to increased ownership percentage are expected to be offset by lower purchased power costs. The Montana Public Service Commission oversees all customer costs.”

In the coming months, NorthWestern does intend to address an additional portion of our customers’ capacity exposure through a Request for Proposal (RFP) open to all proposals capable of meeting customers’ identified need. A technically experienced third party will administer the RFP. Going forward, “As the bottom of the pyramid – long-duration capacity requirements – is met, there will be potential opportunities for shorter-duration resources as well,” said Hines.

In a separate transaction, NorthWestern Energy will acquire a piece of Puget Sound Energy’s interest in the 500 kilovolt Colstrip Transmission System (CTS) with 95 megawatt capacity for net book value at the time of the sale. The cost is estimated between \$2.50 – 3.75 million. After the roughly 5-year purchase power agreement with Puget Sound Energy ends, NorthWestern Energy will have the option to acquire another interest in the 500 kilovolt Colstrip Transmission System with 90 megawatt capacity for net book value at that time.

The Colstrip Transmission System is the backbone of the energy grid in Montana. NorthWestern Energy operates the Colstrip Transmission System and currently owns 30.8% of the CTS. It is essential infrastructure that serves NorthWestern Energy’s customers. Large industrial customers and the rural electric cooperatives rely on the Colstrip Transmission System to meet their energy transport needs. This will become more important as Colstrip Units 1 and 2 close in the coming months. The CTS is also important for renewable energy developers who wish to reach out-of-state markets to the west.

The acquisition of the additional interests in the Colstrip Transmission System from Puget Sound Energy is contingent on approval of the sale of 25% of Colstrip Unit 4 to NorthWestern Energy.

Acquiring an additional share of Colstrip Unit 4 and the additional interests in the Colstrip Transmission System are important steps toward ensuring that when NorthWestern Energy's Montana consumers need electricity, it is available at a stable cost without the extreme spikes in the price of energy bought on the market during high demand times. Montana is prone to severe weather of long-duration, and Colstrip Unit 4 will enable NorthWestern Energy immediately to increase energy production when demand peaks, even if that is in the middle of the night or below-freezing blizzard conditions.

Today, over 60% of the energy produced by NorthWestern Energy for Montana comes from renewable and carbon-free sources, including hydro, wind and solar. With the added Colstrip ownership, our portfolio will still be twice as clean (56% carbon-free) as the total U.S. electric power industry (28% carbon-free).

Over the last decade, we have already reduced the carbon intensity of our energy generation in Montana by more than 50%. In the last five years alone, we have invested more than \$1 billion in clean energy projects, including hydro, wind and solar facilities.

NorthWestern Energy has committed to going even further in supplying carbon-free energy to our Montana customers. The acquisition of a greater share of Colstrip's Unit 4 will preserve reliability for our energy consumers while we work toward our carbon-reduction goals.

- NorthWestern commits to reduce the carbon intensity of our electric energy portfolio for Montana 90% by 2045 (compared to 2010).
- Our vision for the future builds on the progress we have already made. The foundation of our energy generation is our hydro system, which is 100% carbon-free and is available 24 hours a day, 7 days a week. Wind generation is a close second and continues to grow. While utility-scale solar energy is not a significant portion of our energy mix today, we expect it to evolve along with advances in energy storage technology.

We are committed to working with our customers, communities and the state of Montana to develop an energy future that is affordable, reliable, environmentally responsible and capable of meeting the needs of all our customers.

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### **About NorthWestern Energy (NYSE: NWE)**

NorthWestern provides electricity and / or natural gas to approximately 726,400 customers in Montana, South Dakota, and Nebraska. We have generated and distributed electricity in South Dakota and distributed natural gas in South Dakota and Nebraska since 1923 and have generated and distributed electricity and distributed natural gas in Montana since 2002. More information on NorthWestern is available on the company's website at [www.northwesternenergy.com](http://www.northwesternenergy.com).

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